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Anthony Chapman
Economics Division

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MULTILATERAL TRADE NEGOTIATIONS*

ISSUE DEFINITION

In September 1986, ministers representing the then 92 member nations of the General Agreement on Tariffs and Trade (GATT) met in Punta del Este, Uruguay, to discuss reforms to the international trading system. Agreement was reached for the formal launching of an eighth round of multilateral trade negotiations (MTN), albeit in an atmosphere of divisions among GATT members and deep-seated fears that the world economy might be backsliding into damaging protectionism reminiscent of the pre-GATT era. These negotiations were the most complex and difficult ever attempted, adding controversial new issues such as services and investment to such major unresolved problems as agricultural subsidies and the continued proliferation of non-tariff restrictions on trade. As the negotiations wore on, missing several deadlines for the completion of the Round, it began to look as if the survival of the multilateral trading system might be at stake. The success of the current MTN was especially important to Canada, given that ours is still a relatively small, resource-based economy with a high dependency on international trade. Previous trade liberalization rounds have stimulated growth and competitiveness, and Canada stands to gain from the strengthening of GATT rules in many areas, notably agriculture. This review examines the threats to the GATT system, the major negotiating issues in the Uruguay round, and the Canadian position in these negotiations.

* The original version of this Current Issue Review was published in October 1987; the paper has been regularly updated since that time.



BACKGROUND AND ANALYSIS

A. The GATT System after the Tokyo Round

The GATT came into force on 1 January 1948 as a provisional agreement among 23 contracting parties, including Canada. Since then, membership has greatly expanded to reach about 120 countries so far. Some other countries apply GATT rules on a *de facto* basis and participated in negotiations. The major non-members have been Eastern bloc and OPEC Gulf states, although the Soviet Union unsuccessfully sought observer status in the Uruguay round. That has changed as the revolutionary transformations underway in Eastern Europe have brought new members into GATT. Already, the GATT legal framework covers well over four-fifths of world merchandise trade.

GATT was intended as the precursor to a more comprehensive institution, the International Trade Organization (ITO), which would have completed the post-war reconstruction of a liberal international economic order, complementing the Bretton Woods financial bodies, the International Monetary Fund (IMF) and the World Bank. When the Havana Charter, which would have established the ITO, was not ratified by the U.S. Senate, the General Agreement continued in force, with a small secretariat based in Geneva. GATT operates as a body of trade law, an impartial mechanism for adjudicating trade disputes among members, and an umbrella for conducting periodic rounds of multilateral negotiations on reducing barriers to efficient international trade.

The creation of GATT was a response to the collapse of world trade during the Great Depression of the 1930s, particularly following the imposition of the Hawley-Smoot tariffs by the U.S. Congress in 1930, which raised average import duties to a historic high of nearly 60%. The manifest failure of protectionism allowed later U.S. administrations to rediscover the virtues of classical free-trade theory as a concomitant to monetary reform in achieving economic recovery and growth. Under U.S. leadership a series of reciprocal trade liberalization agreements in the 1930s paved the way for the GATT treaty after the Second World War. Fundamental to the GATT are the key principles of non-discrimination, trade liberalization, reciprocity, and special treatment for developing countries.

Non-discrimination: According to the principle of "most-favoured nation" (MFN), GATT signatories are required to apply tariffs and other trade barriers equally to imports from all GATT member countries. The principle of non-discrimination also applies with respect to the treatment accorded imported goods in general compared with that given domestically produced goods. Specifically, under the "national treatment" clause in Article III of the GATT, "The products of the territory of any contracting party shall be accorded treatment no less favourable than that accorded to like products of national origin..." This restricts GATT members from nullifying tariff concessions or other trade liberalizations by means of discriminatory internal taxes or other forms of regulation.

Trade liberalization: Although the GATT does not actually require signatory countries to reduce tariffs and other border restrictions, progressive trade liberalization forms an essential element of the Agreement. Article II of the GATT provides for a schedule of negotiated tariff reductions called "concessions." These concessions are then "bound" against future duty increases. If duties are raised subsequently, compensation must be negotiated with the other parties with whom the tariff concessions were originally reached. As a result of seven rounds of GATT negotiations, tariffs have decreased dramatically with average duties on manufactured goods falling to 5-7% in the EEC and Japan, 4% in the U.S., and 9-10% in Canada. These figures applied after the Tokyo Round tariff cuts but before the introduction of the Canada-U.S. Free Trade Agreement.

Reciprocity: Among the industrialized countries, trade negotiations are carried out with the understanding that negotiating countries will reciprocate tariff and other trade concessions.

Although economic gains from trade liberalization do not depend on reciprocal treatment, equivalent concessions offered by other countries enable trade negotiators to demonstrate to domestic legislators and the public that visible gains were achieved in the negotiations.

Special treatment for developing countries: Although there was very little provision made for less developed countries (LDCs) in the original General Agreement, eventually the principle of special treatment for LDCs became generally accepted within GATT. Recently, this policy of a "two track" GATT system has been questioned. Some observers believe that the developing countries must be brought into the GATT mainstream if they wish to obtain concessions from the industrialized countries in key areas of interest to LDCs such as textiles and safeguards.

As noted, the GATT negotiations have succeeded in reducing tariffs substantially; however, the original GATT's limitations, loopholes and escape clauses have been exploited by many countries, especially in the non-tariff area. Europe also established its own controversial "free trade" area, the Common Market, and subsequently extended trade preferences to a number of Third World countries through the Lomé conventions. European governments were more inclined to an interventionist economic philosophy than was the U.S., though ironically it was American farm support programs that led to agriculture being largely exempted from GATT disciplines in the 1950s. Developing country interests, which moved higher on the agenda after the launching of the United Nations Conference on Trade and Development (UNCTAD) in 1964, were both helped - although this is arguable - and hurt by derogations from MFN principles. The South gained some modest non-reciprocal preferences from the North, but was the target of new long-term protectionist arrangements in areas (e.g., textiles and apparel) in which it had a clear comparative advantage. The spirit of the GATT was increasingly contravened or circumvented, with more and more trade being "managed" by discriminatory and protectionist market-sharing arrangements outside GATT's purview.

The 1973-79 Tokyo round of GATT negotiations was at most a qualified success. Significant tariff reductions were achieved, averaging about one-third on industrial products, to be phased in over an eight year period beginning 1 January 1980. Canada argued for a sectoral approach to tariff cutting to counteract the tariff escalation (higher duties as the degree of processing increases) faced by our key resource-based exports. However, a broader formula prevailed in the interests of tariff harmonization. While high tariffs persist for some sensitive products, most of Canada's trade now is either duty-free or subject to tariffs of 5% or less.

The real centrepiece of negotiations was a series of non-tariff codes of conduct, which were adopted on a conditional reciprocity rather than an MFN basis - i.e., only those signing the codes would be entitled to concessions. To date, many GATT members, especially developing countries, have not done so. Two of the most important Tokyo codes are on government procurement, intended to open up this area to more international competitive bidding, and on subsidies and countervailing duties. The latter requires a test of "material injury" before retaliation can be taken against unfairly subsidized competition. The antidumping code negotiated during the

previous Kennedy round was revised along similar lines. The much-disputed subsidies/countervail code has not been very effective and has failed to ease growing pressure in the U.S. for tougher trade remedy laws to "level the playing field."

Another important code for Canada is that on customs valuation. It stipulates that applicable *ad valorem* duties be levied on the international "transaction price" of imported goods. As a result of signing the code, Canada has reluctantly abandoned its "fair market value" assessment system which afforded significantly higher protection to domestic products. (The U.S., which had agreed to drop its "American Selling Price" during the Kennedy round but was blocked by Congress, finally acted as well.) Besides suspicions of dumping, the main reason for Canadian concern about import invoice prices has been that so much of our trade is among related parties - i.e., intrafirm.

Other codes - on technical standards and on import licensing procedures - established simpler rules to minimize obstructive effects on trade. A sectoral free trade agreement was also reached on civil aircraft. Although major agricultural issues remained unresolved, multilateral arrangements were concluded on trade in bovine meat and dairy and tropical products. Finally, several broad framework agreements were reached which recognized the special needs of developing countries while urging stricter adherence by all members to GATT provisions. The biggest disappointment was failure to agree on a "safeguards" clause governing temporary protection against injurious competition from low-cost imports. GATT's much-abused article 19 disallows the selective discrimination insisted upon by the EC.

In November 1982, a full ministerial conference (the first in nine years) was convened in Geneva to review progress on the Tokyo round agreements. The prognosis was not good. There was no movement on agriculture or safeguards. Pessimists saw GATT as losing the battle to contain the growth of non-tariff protection. There were new worries about grossly misaligned exchange rates (especially the then high U.S. dollar), the huge imbalance of current account deficits and surpluses, and the strangling effects of Third World debt. Under aggressive U.S. prodding, a work program was established and some preparatory work went forward on a possible far-reaching new round that offered hope of multiple trade-offs on stalemated issues. A new round also responded to fears that the U.S. might start to cut its own bilateral deals if GATT

proved unable to obtain better multilateral reciprocal access for U.S. goods and services. With the spirit of GATT so badly eroded in practice, it was clear that more than faith in the value of liberal trade would be required to bring a 1980s MTN to fruition.

B. The Uruguay Round: Major Negotiating Issues

The clash of agendas at Punta del Este nearly scuttled the talks. The U.S. played hardball to ensure that new issues such as services and intellectual property were included. India and Brazil led developing countries in resisting the U.S. offensive. They wanted action on old issues such as safeguards. France was the major reluctant EC country with respect to agricultural subsidies. Japan and the newly-industrializing countries (NICs such as South Korea) were sensitive to accusations of being mercantilists and "free-riders" - that is, benefiting from the opening up of export markets while jealously guarding their home markets.

In the end, however, the GATT ministers agreed to a compromise on a two-track agenda encompassing both old issues and new ones currently unregulated by GATT. Bitter wrangling over negotiating structure, mainly between the U.S. and the EC, delayed the start of talks into 1987. At the end of January, consensus was finally reached that substantive negotiations in the Group of Negotiations on Goods (GNG) would be conducted by separate groups on 14 topics, overseen by a Trade Negotiations Committee (TNC). To monitor the standstill and rollback provisions, a Surveillance Body was created, reporting to the TNC. The September 1986 ministerial declaration included "standstill and rollback" provisions to halt and if possible push back the tide of protectionism as a good faith gesture during the negotiations. Conflicts quickly arose over interpretation and degree of surveillance. By December 1988, 23 notifications of alleged violations had been received, including one by the U.S. against Canada. Parallel talks on services took place in the Group of Negotiations on Services (GNS).

The key issues held over from the Tokyo round were:

Non-tariff Restrictions: While some sectors, notably textiles and clothing, have been subject to quota restrictions for decades, there has been a flood of new discriminatory non-tariff barriers (NTBs) since the 1970s, with autos, steel and electronics being among the chief

targets. Managing trade to escape GATT rules goes under euphemisms such as "voluntary export restraints" (VERs) and "orderly marketing agreements" (OMAs). These NTBs have numerous trade-distorting effects. In general, they hurt consumers and favour established exporters over lower-cost entrants. Some analysts argue for a "retarification" of quantitative NTBs (or at least their substitution by auctioned quotas), with the economic rents devoted to adjustment programs for import-sensitive industries. The goal of the Uruguay round was tougher disciplines over clearly protectionist forms of import relief.

Safeguards (Contingent Protection): This emerged as a major stumbling block in the Tokyo round. GATT's article 19 allows members to impose emergency global quotas, on an MFN basis, to "safeguard" a threatened domestic industry as it adjusts to foreign competition. The foreign suppliers are entitled to compensation. Because of the success of first Japan and then many developing countries in penetrating Northern markets, article 19 has been increasingly bypassed. One result has been the growth of selective NTBs as described above. The EC insisted that to be realistic a new safeguards clause must abandon GATT's cherished principle of non-discrimination. The U.S. and Canada resisted any exemption as a dangerous contradiction - in effect, GATT giving its blessing to the violation of its own rules. However, GATT has already sanctioned a major deviation from MFN treatment in the textiles and apparel sector through the Multi-Fibre Arrangement (MFA), which, in July 1986, was made more restrictive and extended for a further five years. A breakthrough mid-term agreement in April 1989 on the negotiating principles for safeguards and textile issues gave some hope that restrictive policies could be gradually phased out in the 1990s. In March 1990, Canada tabled its proposal for re-integrating textiles into the GATT framework over a transitional period of five to ten years.

Agriculture: Long a weak spot in GATT, agricultural trade was the mostly hotly contested subject going into the Uruguay meetings. On one side were the U.S. and a group of 14 food-exporting nations including Canada, known as the "Cairns group" after a town in Australia where they first banded together to demand urgent action on agricultural subsidies. On the other side were Japan and the EC, which defends its highly interventionist and expensive Common Agricultural Policy (CAP). The Cairns countries argued that their competitive exports were being badly hurt by a trade war between the U.S. and the EC as the U.S. reacts to losing market share.

Agriculture is supported and regulated in virtually all countries. The problem occurs when domestic incentives lead to overproduction and the dumping of heavily-subsidized surpluses on world markets. Lacking effective GATT remedies, retaliation is the inevitable recourse. An escalating subsidy war leaves the strongest treasuries to fight it out. The Cairns group wants a "fast track" to more competitive discipline over farm exports. The United States until recently was holding out for an agreement on total elimination of "trade-distorting" subsidies in agriculture. The EC would prefer the spotlight shifted elsewhere and its 12 member nations have been prepared to consider only gradual reductions in levels of subsidization.

A major compromise reached in April 1989 rescued the Uruguay round negotiations. However, the subsidies war continued to escalate. Strains also emerged among Cairns members, and notably between the Canadian and U.S. positions. On 14 March 1990, Canada presented a complex formula to the Geneva negotiating group which would have preserved Canadian supply management practices within a reformed GATT regime under Article XI, which governs import controls. The U.S., by contrast, wanted to get rid of Article XI protection. (For more analysis, see Current Issue Review 89-7E, "GATT: The Eleventh Hour for Article XI?") However, at the GATT ministerial conference in Brussels in December 1990, there was no resolution of the impasse.

Subsidies and Countervailing Measures: Agriculture is only the worst case of the problems caused by governments' growing resort to domestic and export subsidies to protect or enhance market share. The slowdown in world trade has intensified these pressures for intervention and led to seemingly intractable debates over what constitutes "unfair" trade. There is no consensus on definitions, on the measurement of trade impacts, or on the appropriate remedies such as countervailing or antidumping duties when claims of injury are made. The Tokyo round code is perceived as inadequate, and many GATT members have not bound themselves to it. The aggressive use of countervail by the U.S., in contrast to the weakness of GATT disciplines, has become a major source of friction with that country's trading partners. Restoring faith in and adherence to a multilateral system of rules is a central challenge of the Geneva negotiations. In early summer 1989 Canada was the first to table a comprehensive plan to reform the code. (For details see Mini-Review 42E, "GATT Subsidies Code: Canadian Proposals for Reform.")

For the first time, the MTN agenda also gives prominence to key trade issues of the future:

Services: Trade in services (usually "invisibles" as distinct from "goods") is an expanding umbrella for activities ranging from travel and communications to consulting, banking and transborder data flows. At least one-fifth of global trade is services-oriented, and services are virtually the only source of employment growth in the major industrial countries. Despite the importance of services in international business, there is no adequate statistical base, much less an agreed set of rules, in this area. U.S.-based multinational corporations seeking more liberal access for their services were among the chief backers of a new round and showed a high profile in negotiations in this area. However, the U.S. insistence that services be on the table was initially strongly opposed by a bloc of developing countries. They demanded many concessions and safeguards in any agreement. Apart from nationalistic concerns, these countries have in the past rejected liberalized entry for Western services exports as the price for movement on outstanding issues of merchandise trade (e.g. textiles) in which they have a comparative advantage. They also want labour-oriented services to be included. While the area remains a minefield, a multilateral negotiating framework was achieved in December 1988 and implemented in April 1989.

Trade-Related Investment Measures (TRIMs): This equally thorny set of issues is partly a corollary to the above in that most service providers must be physically located in the market which they serve. U.S. companies looking to exploit new market opportunities have led the way in pushing for "rights of establishment" and national treatment for their subsidiaries. On the other side, many countries, especially in the developing world, worry about future dependence on foreign multinationals and how sensitive sectors like communications and culture would be affected. Related to these sovereignty and security questions, states may see protection as necessary to develop and safeguard viable growth industries of their own. There are also a number of more trade-specific investment issues which are closer to the GATT's existing competence, though no less troublesome. These include the distorting effects on trade of incentives (subsidies, tax concessions, etc.) used to attract foreign direct investment, and local content, export and other performance requirements imposed on foreign subsidiaries once they are established. Initially, developed and developing countries remained poles apart on TRIMs. A proposal presented by 11

countries including Brazil, India and China in early 1990 basically rejected any change in the GATT regime.

Intellectual Property: These issues are already subject to several international agreements, including an article of the GATT, and are addressed by a separate body, the World Intellectual Property Organization (WIPO). But coverage and enforcement remain weak. The U.S. and the EC in particular wanted stronger copyright and patent protection to stop the pirating of technology and the growing trade in counterfeit goods. New measures would be chiefly aimed at Asia-Pacific NICs where the worst abuses occur in the computer, publishing and recording industries.

High Technology: This has become a very important strategic growth sector for industrialized and some developing countries. Typically, "high-tech" benefits from a high degree of supportive government intervention. It is often considered a vital "infant" industry, requiring subsidized research and development and strong protection in the national interest. Industrial policies of this sort, together with the notion of "engineered comparative advantage," pose a major challenge to liberal trade based on market principles and threaten the export markets of existing producers. However, the U.S. did not succeed at Uruguay in getting separate sectoral negotiations on high technology issues, so they had to be raised through the established working groups.

Institutional Reform and Other Issues: With the integrity and utility of the GATT system increasingly in question, a critical task of the Uruguay MTN is to strengthen GATT's structures and rules, improve its dispute settlement procedures (which, operating only by consensus, have been of reduced effectiveness against NTBs), and enhance its role in the overall management of the world economy. These reforms will require more resources for the GATT secretariat, stricter adherence by members to GATT articles and codes along with stricter surveillance of compliance, and more determined direction from the political level. GATT ministers must be willing to build up the institution so that it can grapple effectively with issues of global structural adjustment - the integration (or "graduation") of developing countries into the world economy, the impact of rapid shifts in comparative advantage, the effects of the debt crisis, cooperation with international financial institutions, and so on. An active multilateral process is

still the best hope for maintaining an open trading system against the protectionist tendencies arising from narrow national, regional, sectoral or ideological pressures.

An informal meeting of 30 trade ministers in West Germany in March 1988 sent out positive signals of an emerging consensus on a package of structural reforms. Proposals being considered included: (1) Periodic reviews by the GATT of members' trade policies and compliance with multilateral obligations. The costs of protectionist actions would be assessed and publicized. Frequency of examination would depend on the country's volume of trade - probably every two years in the case of the G7 economies. (2) More formal private sector participation in the GATT, including at ministerial meetings, to strengthen the domestic constituencies for liberalized trade. (3) A new smaller 18-member group of ministers to meet semi-annually to provide political momentum and leadership within the GATT system. As well, 13 countries including Canada formed the so-called "de la Paix Group" to press for improved dispute settlement procedures and a stronger GATT role.

At the full GATT ministerial "mid-term" review held in Montreal in early December 1988, agreement was reached in a number of institutional areas. The dispute settlement process would henceforth include strict time limits, totalling 15 months between the establishment of a panel and GATT Council rulings. A regular review mechanism would be set up to monitor members' trade policies: every two years in the case of large countries, every four years for middle powers, and every six for small countries. (The first GATT review of Canadian trade practices was released in July 1990.) These agreements were blocked by an impasse on other issues (see p. 15-16) but went into effect as of April 1989.

In April 1990, Canada unveiled an ambitious proposal to build GATT into a more powerful World Trade Organization (WTO), an updated version of what the Havana Charter first envisaged in the 1940s. However, this blueprint for major institutional reform was very much dependent on successful outcomes of the sectoral negotiations.

C. Canada's Multilateral Trade Strategy

1. GATT Negotiations

As an economic middle power without access to a large internal market, Canada depends greatly on a fair system of international trade rules and strongly supported the launching of a new GATT round. However, since one-quarter of Canada's GNP is accounted for by exports to a single market, the government hedged its bets on the outcome of a protracted MTN by initiating separate bilateral free-trade negotiations with the Americans. GATT's article 24 permits an exemption from MFN principles for regional free trade areas which cover "substantially all the trade" between the parties. Many observers see the successful conclusion of a comprehensive Canada-U.S. arrangement as a positive signal for the GATT talks. A bilateral victory against protectionism in controversial areas deemed important to both countries could serve as a timely model on which to base multilateral progress in Geneva. A less sanguine view has been that third-party exporting countries will feel threatened by an integrated North American trading bloc if they think it might result in substantial trade diversion or weaken the commitment to multilateralism.

Notwithstanding the recent preoccupation with North American trade liberalization and the fears that the world may be dividing into regional economic blocs, Canada's commitment to the success of the Uruguay round was not in question. Among Canada's multilateral priorities were:

- much tighter controls over agricultural trade, especially the use of domestic and export subsidies which end up punishing competitive third parties (e.g., Canadian grain farmers caught in the price war between the U.S. and the EC);
- improved access for goods and some services in which Canada has a comparative advantage: food and natural resource-based products, energy-based industries, transportation and communications equipment and services;
- reduction of tariffs, tariff escalation and non-tariff barriers in these areas; also tightening up of the Tokyo round code on subsidies and countervailing duties to ease the growing threat to Canadian exporters from contingency protection measures (primarily U.S. countervail actions); and

- Canada participated in all of the various negotiating groups of the current GATT round, and forcefully expressed its concerns in other international economic forums (OECD, Western Economic Summit, Quadrilateral trade ministers) with an interest in its success. The Canadian effort in the Uruguay round was initially conducted by the Trade Negotiations Office (TNO), with Sylvia Ostry as Canada's ambassador for the MTN. Since the conclusion of the Canada-U.S. free trade talks the TNO was gradually wound down and a Multilateral Trade Negotiations Office (MTNO) was established within the Department of External Affairs. It is headed at the Assistant Deputy Minister level by Germain Denis. In July 1987, Canada upgraded its negotiating presence in Geneva with the appointment of John Weekes as Ambassador and Permanent Representative to the GATT. He was subsequently named to a term as chairman of the trade negotiations committee. Private sector input was provided through a network of Sectoral Advisory Groups on International Trade (SAGITs). There is also a 45-member International Trade Advisory Committee (ITAC), similar to the American Advisory Committee on Trade Negotiations (ACTN) in the U.S. Both were very active during the Montreal meetings.

In May 1987, Canada hosted the Cairns Group of agricultural fair traders. Such meetings kept up the pressure for an "early harvest" of agreements in the MTN on agricultural and tropical products issues. Then in July, the U.S. tabled a major proposal in the GATT agriculture group for the elimination over 10 years of all subsidies and import barriers in this area. On 20 October 1987, Canada presented similar comprehensive proposals in Geneva, which, however, would leave intact the Canadian supply management programs that fall within current GATT rules. Given the wide gulf between the European and American positions, a great deal of pessimism remained on the farm subsidies question. In February 1988 the Cairns Group issued another statement highly critical of the slow progress being made in Geneva. The Group proposed a compromise of a subsidy freeze followed by long-term phased reductions. Going into the 5-8 December Montreal mid-term review, agriculture was a top priority for both Canada and the U.S. The talks were extended a day to try to break the bitter U.S.-EC standoff. The political importance

of reform of agricultural trade was underscored by an opening day demonstration by over 3,000 farmers from 26 countries.

While there was ultimately no progress in Montreal on agriculture, tentative accords on frameworks for the final two years of negotiations were reached in 11 of the 15 negotiating groups. In particular, there was a breakthrough on a comprehensive framework agreement for services. There were also agreements worked out on freer trade in tropical and resource-based products, and on an across-the-board tariff cut of at least 30% at the end of the current round. (In March 1990, Canada tabled proposals agreeing to negotiate tariff reductions averaging 33%.) However, there was stalemate in three key areas besides agriculture: intellectual property, textiles, and safeguards. Eventually the frustration of many developing nations with the intransigence shown by the U.S. and the EC resulted in all negotiating agreements being "put on hold." The Cairns group itself split over the issue of "linkage." Six Latin American countries decided that without some movement on agriculture and other areas of Third World concern, there would be no deal on anything for the time being.

The 1988 Montreal meeting therefore ended with only an agreement to a four-month extension, after which a special high-level meeting of officials in Geneva was to try again to break the deadlock. Some optimism was generated in early February 1989 when the U.S. appeared to be softening its position to allow talks to proceed with the EC over short-term measures to reduce agricultural subsidies. At the special meeting held in Geneva from 5-8 April 1989 a partial breakthrough was achieved. Agreements were reached on how to proceed with final negotiations in all areas. In the key agricultural sector, domestic and export levels of support and protection for the coming year were to be frozen at 1988 levels, with a further commitment to phased reductions in future years. In addition, GATT members were required to submit detailed plans for long-term reforms along these lines to be in place by the completion of the Uruguay round in 1990. Canada presented its proposals in March and October of 1990.

Although the Cairns group was able in late 1989 to table a common proposal to lower agricultural protection, major areas of friction remained. Within the movement for reform, Canada continued to defend its own use of import restrictions through marketing boards despite strong U.S. pressure to dismantle them. As well, both the U.S. and Canada were at loggerheads

with Japan and the European Community, despite the latter's offer of a modest 30% cut in subsidies. Canada's final negotiating offer, tabled 15 October 1990, called for an end to export subsidy wars; a reduction of up to 50% in trade-distorting domestic subsidies; a one-third reduction in agricultural tariffs to no more than 20%, with non-tariff barriers limited to a similar equivalent; an increase in the allowable domestic market share for agricultural imports (up to 5% for dairy products) in return for secure protection of dairy, poultry and egg marketing board systems. The U.S. position called for a 90% cut in export subsidies and deep cuts of 75% in domestic subsidies.

At the supposedly final ministerial conference held in Brussels in early December 1990, agriculture again proved to be too great a stumbling block even though agreements were said to be close in a number of the other negotiating groups. When the talks broke down the round was "suspended" until 15 January 1991, when officials of the parties met briefly in Geneva to see what could be done. In the midst of the outbreak of the Gulf war, however, GATT director general Arthur Dunkel was unable to announce a date for formal talks to resume. Eventually the Trade Negotiations Committee met in late February. It was announced that talks would start up again but regrouped under seven rather than the original fifteen negotiating forums. The seven negotiating groups were grouped in the following way:

- i) Market Access (tariffs, non-tariff measures, natural resource-based products, tropical products);
- ii) Textiles and Clothing;
- iii) Agriculture;
- iv) Rule-Making (subsidies and countervailing duties, anti-dumping, safeguards, pre-shipment inspection, rules of origin, technical barriers to trade, import licensing procedures, customs valuation, government procurement and a number of specific GATT articles) and TRIMs;
- v) Trade-Related Intellectual Property (TRIPs);
- vi) Institutions (final act, dispute settlement and functioning of GATT system (FOGs)); and
- vii) Services.

The then Director-General of GATT, Arthur Dunkel, personally took charge of the agricultural negotiations and put forward several proposals in an effort to reduce the estimated U.S.\$300 billion in aid given to farmers by developed countries.

On 1 March 1991, the last day for him to do so, U.S. President George Bush notified Congress that he was seeking an extension of U.S. "fast-track" negotiating authority for a further two years beyond the 1 June 1991 expiry date in current trade legislation. In May 1991, "fast-track" authority was approved by both Houses of Congress.

On 17 July 1991, leaders of the G-7 nations meeting in London called for the completion of the Uruguay Round before the end of 1991. The official communiqué released by the G-7 leaders stated, "We shall each remain personally involved in this process, ready to intervene with one another if differences can only be resolved at the highest level." Prime Minister Major of Britain indicated the possibility of convening a special summit within five months in order to break any impasse in the GATT negotiations.

In October 1991, the EC agriculture commissioner and the German government put forward similar plans for reforming the community's controversial Common Agricultural Policy (CAP) by reducing farm support prices and at the same time establishing a guaranteed income program uncoupled from farm production levels. Such reform of CAP, given qualified support by France, would reduce agricultural tariffs by about 30%.

The U.S. also signalled that it was ready to make compromises in its original position that farm subsidies be cut by 75% to 90%. Differences between the U.S. and the EC appeared to be narrowing further after U.S. President Bush met with European Commission President Jacques Delors and Dutch Prime Minister Ruud Lubbers in November 1991. Pessimism about a resolution of the talks returned later in the same month, however, when U.S. officials seemed to have second thoughts about possible U.S. concessions to the EC.

For its part, Canada reiterated support for its system of agricultural marketing boards and import quotas for dairy, poultry and egg production, despite pressure from other GATT countries, particularly the U.S., to reform this system. At the same time, Canada warned the EC that this country would retaliate if the grain subsidy wars were not resolved by the end of the 1991.

On 20 December 1991, the "Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations" was released. The document addressed the major negotiating issues of agriculture, textiles and clothing, trade rules, intellectual property, trade in services and GATT institutions. For Canada, the most problematic section was that dealing with agricultural trade reform. Canadian farmers argued that tariffication of import quotas would decimate farms in the supply-managed sectors of dairy, poultry and eggs. Canada actively sought allies among other GATT Contracting Parties for its defence of Canadian supply management programs. Although Japan, South Korea and Switzerland supported the Canadian position, the European Community and the United States refused to do so.

On 21 February 1992, about 30,000 farmers converged on Parliament Hill in Ottawa to protest against the GATT proposals. Easter 1992 (mid-April) was set as the new deadline for negotiators to conclude an agreement.

The Easter 1992 deadline for concluding the GATT negotiations passed without agreement. Meetings held in March 1992 between U.S. President Bush and German Chancellor Kohl, and in April 1992 between President Bush and EC Commission President Jacques Delors failed to break the impasse in the talks. An April meeting in Japan between U.S. Trade Representative Carla Hills, Japanese Minister of International Trade and Industry Kozo Watanabe, Canadian International Trade Minister Michael Wilson and EC Commission Vice President Frans Andriessen, also failed to resolve major differences in the negotiations.

On 21 May 1992, EC farm ministers agreed to a plan to reduce subsidies to European agriculture. Among the reported changes were a 29% reduction in the price paid to EC wheat farmers, a 15% drop in beef subsidies, and a 3% lowering of milk production quotas. Farmers would be compensated for taking land out of production. It was hoped that partial reform of the EC Common Agricultural Policy would revitalize the GATT negotiations.

The July 1992 meeting of G-7 leaders in Munich failed to break the impasse in the GATT negotiations. Observers noted that French President Mitterand faced a crucial September referendum on the Maastricht Treaty and he could not afford to further alienate the French farmers' vote by agreeing to more cuts in agricultural subsidies under GATT.

In November 1992, a dispute between the U.S. and the EC over the Community's oilseed subsidies threatened to derail the GATT negotiations. Agreement by the EC to reduce subsidized exports narrowly averted a trade war, although France firmly opposed the arrangement. Despite the U.S.-EC accord on agricultural subsidies, several other Uruguay Round issues remained unresolved, including industrial tariff reductions.

In early July 1993, the Quadrilateral Group leaders meeting in Tokyo agreed to significant tariff cuts in a wide range of industrial products and raw materials. Under the agreement, the U.S., EC, Japan and Canada agreed to reduce their customs duties by at least one-third.

On 15 December 1993, the 117 GATT Contracting Parties finally reached a trade agreement on the outline of the other major issues facing the Uruguay Round. The final Agreement, which in most part follows the plan set out in the GATT Draft Text, covers trade in agriculture, services, textiles and apparel, government procurement, technical barriers to trade, subsidies and countervailing duties, antidumping, trade-related investment measures, trade-related intellectual property, and dispute settlement. It would also establish a World Trade Organization to oversee and coordinate the GATT and all agreements concluded under the Uruguay Round.

Several items do distinguish the final Agreement on Agriculture from the earlier draft text. First, the draft text proposed a 24% reduction (by volume) in export subsidies which the final Agreement lowered to 21%. Second, under the final Agreement, Contracting Parties are permitted a choice of base period from which to calculate reductions in agricultural export subsidies (i.e., either 1986-90 or 1991-92). Thus, cuts in subsidies would be less meaningful in those countries where subsidies were higher in 1991-92 than in the earlier base period.

One area of disagreement between Canada and the U.S. is whether the GATT or the NAFTA takes precedence with respect to the reduction of duties on supply-managed commodities, such as dairy, poultry and egg products. Under the GATT, the Canadian import quotas on these products would be converted to their tariff equivalents and reduced over six years by a minimum of 15% per tariff item. (Canada is proposing tariff equivalents of 283.8% for milk; 351.4% for butter; 289% for cheddar cheese, 280.4% for chicken, and 192.3% for eggs.)

The U.S., however, has taken the position that the North American Free Trade Agreement (NAFTA) requires Canada to *eliminate all* duties on U.S. origin goods by 1998. Unless Canada and the U.S. settle the matter through negotiation, the case will probably be referred to dispute settlement under either the GATT or the NAFTA. This is an important point for Canada since maintenance of this country's supply management programs depends on blocking imports - whether through quotas or "sky-high" tariffs.

On 15 April 1994, representatives from member countries met in Marrakesh, Morocco and 111 Parties signed the *Final Act* embodying the results of the Uruguay Round. The newly-created World Trade Organization (WTO) will be responsible for all previously existing GATT and all new Uruguay Round Agreements. The WTO and its constituent agreements came into force on 1 January 1995. At 5 January 1995, the Agreement had been ratified by 81 countries.

2. Results of the Uruguay Round

a. Tariffs

Tariff reductions will average 40% or more on a broad range of industrial and resource products. Tariff concessions will include completely eliminating duties on the following product sectors: paper and paper products, pharmaceuticals, beer, brandies and whiskies, steel, construction equipment, agricultural equipment, mechanical equipment, office furniture and toys. Most duty reductions will be introduced gradually in five equal annual steps ending 1 January 1999. Some reductions, however, will be implemented immediately while others will be introduced in 10 annual steps.

b. Agriculture

- Export subsidies would be reduced by 36% from the base period in terms of expenditures and by 21% on a volume basis over the 1995-2001 period. (Note that payments under the *Western Grain Transportation Act* would be subject to reduction as export subsidies.) The base period would be either 1986-90 or 1991-92.

- Agricultural tariffs would be reduced by an average of 36%, with a minimum 15% reduction for each tariff line. Implementation of the tariff cuts will take place in six annual steps commencing in 1995. Tariff reductions are to be undertaken over 10 years in the case of developing countries. Least-developed countries are not required to reduce their tariffs.
- Non-tariff barriers (i.e., import quotas) would be converted into their tariff equivalents calculated according to the difference between domestic prices and world prices (including transportation costs) in the period 1986-1988 and reduced accordingly.
- Countries would have to ensure that agricultural imports were provided with "minimum access" to their markets; this would amount to at least 3% of domestic consumption in the base period, rising to 5% at the end of the implementation period.
- A special safeguard clause would permit raising duties where imports exceeded a specified volume or where the price of the imported product fell below a specified price.
- Domestic subsidies, except those exempted, would be reduced from the base period (1986-1988) by 20% in terms of the aggregate measure of support -- 13.3% for developing countries; no reduction for least-developed countries.
- The Agreement on Agriculture commits participants to restarting the negotiations in the fifth year of implementation in order to continue the process of agricultural reform.

c. Textiles and Clothing

- The Multifibre Arrangement (MFA) would be terminated and 51% of textile and clothing trade would be integrated into the GATT in stages over the transition period (1995-2005). The remaining items would be integrated at the end of the transition period.
- The Agreement requires countries to expand their textile and clothing import quotas throughout the transition period.
- A transitional safeguard mechanism would permit country-specific quantitative restrictions of a three-year duration.

d. Trade Rules

Subsidies and Countervailing Duties

- For the first time, the GATT provides a definition of a subsidy.
- The Agreement establishes three categories of subsidies: 1) prohibited; 2) actionable; and 3) non-actionable.
- Prohibited subsidies are those contingent on export performance and those domestic subsidies having the effect of import substitution.
- Actionable subsidies are those which cause adverse effects to the interests of other signatories.
- Non-specific subsidies would be considered non-actionable, as would regional development programs and research activities meeting certain criteria.
- Countervailing duties would be limited to a duration of five years with possible continuation upon injury consideration.
- The threshold below which subsidies are considered *de minimis* and therefore non-actionable, would be set at 1% of import value.
- The rules on injury determination would be strengthened and guidelines provided for the calculation of the amount of the subsidy.

Anti-Dumping

- The amount of antidumping margin considered non-actionable (*de minimis*) would be set at 2.0%.
- Dumping determinations would have to be reviewed every five years.
- More precise rules would be provided to calculate dumping margins.
- The test for determining injury to the domestic industry would be strengthened.

Safeguards

- The text would provide for more transparency with respect to the application of safeguards.
- "Serious injury" -- the basis for applying safeguard measures -- is more clearly defined.

- Quotas would normally have to be applied on a MFN basis but might be modified if imports from certain countries had increased disproportionately.
- So-called "grey area" measures, such as voluntary export restraints (VERs) and orderly marketing arrangements (OMAs), would have to be eliminated within four years except for one measure per country, which could be maintained until 31 December 1999.

e. Trade-Related Aspects of Intellectual Property Rights (TRIPS)

- An agreement would enshrine intellectual property rights in the areas of copyright and related rights, trademarks, geographical indications (i.e., for wines and spirits), industrial design, patents, integrated circuits and undisclosed information.
- The Agreement contains detailed provisions for the civil and criminal enforcement of intellectual property rights and would permit use of the integrated dispute settlement mechanism of the new World Trade Organization.

f. Services

- For the first time, trade in services would be covered by the GATT (under the General Agreement on Trade in Services GATS)
- All commercial trade in services and all types of services transactions would be covered in principle.
- A general obligation is established to provide MFN treatment to services and service providers from other countries.
- As under GATT, sub-national governments (i.e., provinces and states) would be covered by GATS, but the Agreement does not cover services normally provided by governments, such as health, police and education except where these are privatized.
- Specific commitments on market access and national treatment would be made in national schedules to the Agreement.

- Exceptions from provisions governing trade in services would be made for public morals and public order; human, animal and plant life or health; tax matters; and to ensure compliance with laws and regulations.
- Sectoral annexes are provided to cover financial services, telecommunications and air transportation and negotiations on basic telecommunications.

g. Dispute Settlement

- The dispute settlement process, involving establishment of a panel, adoption of panel reports and authorization of retaliation, would be made virtually automatic and strict time limits would be imposed.
- A new appellate body would be established to ensure that panels' interpretation of GATT rules remained constant and to review panel decisions for possible errors.
- The dispute settlement system would apply to all GATT, GATS and TRIPS agreements.

h. Trade-Related Investment Measures (TRIMs)

- TRIMs that were inconsistent with Article III of the GATT (National Treatment) or Article XI (Quantitative Restrictions) would be prohibited.
- Certain trade-distorting performance requirements, such as local content requirements or trade balancing requirements, would be explicitly prohibited.

3. Implementation of the Uruguay Round Agreements
Institutional Framework

Besides ratification of the *Uruguay Round Final Act* by national Parliaments, steps must be taken to implement the World Trade Organization (WTO) at the international level. Work on the new institutional framework for the WTO is being undertaken by the Sub-Committee on Institutional, Procedural and Legal Matters. The Sub-Committee was established by the Preparatory Committee which has responsibility for putting the WTO into effect. The following are the main bodies provided for in the Uruguay Round Agreements.

Ministerial Conference - composed of representatives of all members to carry out the functions of the WTO and take actions necessary to this effect. It will meet at least once every two years. The Ministerial Conference will have the authority to take decisions on all matters under any of the Multilateral Trade Agreements, if requested by a member.

General Council - composed of representatives of all the members will carry out the functions of the Ministerial Conference in the intervals between meetings of that body. The Council for Trade in Goods, Council for Trade in Services, and the Council for Trade-Related Aspects of Intellectual Property will operate under the guidance of the General Council.

Dispute Settlement Body (DSB) - will administer the rules and procedures of the Understanding on Dispute Settlement. The DSB will have the authority to establish panels, adopt panel and Appellate Body reports, maintain surveillance of implementation of rulings and recommendations, and authorize suspension of concessions and other obligations under the covered agreements. The DSB will establish an Appellate Body to hear appeals from panel cases and will appoint people to serve on the Appellate Body.

Trade Policy Review Body - will carry out periodic trade policy reviews of all members; will establish a plan for the conduct of reviews; will establish a program of reviews for each year; will undertake an appraisal of the operation of the trade policy review mechanism not more than five years after the entry into force of the WTO Agreement; will conduct an annual overview of developments in the international trading environment which are having an impact on the multilateral trading system.

Committee on Trade and Development - will carry out the functions assigned to it by the Agreements or by the General Council. Part of the functions of the Committee will be to periodically review the special provisions in the Multilateral Trade Agreements in favour of the least-developed country members and report to the General Council for appropriate action.

Committee on Balance-of-Payments Restrictions - will carry out the functions assigned to it by the Agreements and any additional functions assigned by the General Council. The Committee will carry out consultations in order to review all restrictive import measures taken for balance of payments purposes. Members applying restrictions on trade in services for balance of payments purposes will consult promptly with the Committee.

Committee on Budget, Finance and Administration - will carry out the functions assigned to it by the Agreements and any additional functions assigned to it by the General Council. The Committee will review the annual budget estimate and the financial statement presented by the Director-General and make recommendations to the General Council. The Committee will propose to the General Council financial regulations which shall include provisions setting out: a) the scale of contributions apportioning the expenses of the WTO among its members; and b) the measures taken in respect of members in arrears.

Council for Trade in Goods - will oversee the functioning of the Multilateral Trade Agreements in Annex 1A (Agreements on Trade in Goods) and will carry out the functions assigned to it by the General Council. The Council for Trade in Goods will establish subsidiary bodies as required. (The Agreements on Trade in Goods provide for the formation of a number of committees, bodies and working groups to review the progress and implementation of the individual agreements on trade in goods – for example, the Committee on Agriculture, the Committee on Sanitary and Phytosanitary Measures, the Textiles Monitoring body, Committee on Technical Barriers to Trade, etc.)

Council for Trade in Services - will carry out functions assigned to it to facilitate the operation of the General Agreement on Trade in Services (GATS) and may establish subsidiary bodies it considers appropriate. (The GATS provides for the establishment of Sectoral Committees on Services, a Negotiating Group on Movement of Natural Persons, Committee on Trade in Financial Services, Negotiating Group on Maritime Services, Negotiating Group on Basic Telecommunications, and a Working Party on Professional Services.)

Council for Trade-Related Aspects of Intellectual Property Rights - will monitor the operation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and members' compliance with their obligations under the Agreement. The Council will provide members with the opportunity of consulting on TRIPs and provide assistance in the context of dispute settlement.

4. U.S. Implementation of the Uruguay Round Agreements

The U.S. Senate and House of Representatives failed to vote on the legislation implementing the Uruguay Round before recessing in early October 1994 for the 8 November

elections. As a result, both Houses of Congress had to reconvene in "lame duck" sessions after the mid-term elections. On 29 November 1994, the House of Representatives approved the implementing legislation by a vote of 288 to 146. The U.S. Senate passed the bill by a 76-24 vote on 1 December 1994.

5. Ongoing Issues

In March 1995, Mr. Renato Ruggiero was named as the first director general of the WTO. Mr. Ruggiero, a former Italian trade minister and Fiat group director, was put forward as a candidate by the Europeans but was initially opposed by the United States which would have preferred a North American in the job. American opposition to Mr. Ruggiero's candidacy eventually receded after the U.S.-backed candidate, former Mexican President Carlos Salinas de Gotari, was forced to withdraw.

On 26 July 1995, 29 members of the WTO agreed to a pact that will open up trade in financial services to international competition. The deal, which is scheduled to go into force in 1996 after ratification, will be in effect until 1 November 1997, at which time a member country may modify or withdraw all or part of the Specific Commitments on Financial Services inscribed in its Schedule. The United States has refused to join the agreement, however, arguing that some trading partners, including Malaysia and India, were not offering to open up their financial services markets sufficiently. Instead, the United States will enter into bilateral agreements with those countries offering reciprocal access to their financial services markets. Nevertheless, as the European Union, Japan, Canada and countries in Latin America and Asia have signed the accord, the WTO agreement will open up to competition a large slice of the huge world trade in financial services.

Discussions to open up trade in basic telecommunications services to competition were suspended at the end of April 1996, when the United States decided that other countries' offers were insufficient for a deal on the basis of most favoured nation (MFN). Serious negotiations on liberalization of telecommunications services are not expected to resume until some time in the fall of 1996. With respect to trade in

maritime services, at the end of June 1996 negotiations were suspended until the year 2000, when negotiations on a comprehensive agreement covering most services are scheduled to begin.

Negotiations continue concerning China's accession to the WTO. The U.S. is pressing for greater access to the Chinese market and for more enforcement of existing trade rules, including those respecting intellectual property, and for resolution of the problems associated with Chinese state-run enterprises. There is some hope that China may be admitted to the WTO next year after the U.S. presidential elections are over.

6. The Singapore Ministerial Meeting

The first meeting of trade ministers from WTO member countries is scheduled to take place in December 1996 in Singapore. The Singapore Ministerial Meeting will be chaired by Singapore's Minister for Trade and Industry. There is broad support from WTO member countries for taking this opportunity to tackle the "built-in agenda" resulting from the Uruguay Round Agreements. This agenda calls for future negotiations, or reviews, in the areas of agriculture, services, textiles and clothing, rules of origin, intellectual property, and competition policy. The Uruguay Round Agreements include a commitment that negotiations in the areas of agriculture, services, and government procurement will begin by certain dates. The Cairns Group of agricultural exporters (of which Canada is a member) has asked that preparatory work for the next round of agricultural negotiations begin at Singapore. The Uruguay Round Agreement on Agriculture calls for a new round of agricultural negotiations to commence in 1999. With respect to trade in services, comprehensive negotiations are scheduled to commence in the year 2000.

Even on the subject of the built-in agenda, there is some disagreement, however. For example, Japan and South Korea are resisting the idea of undertaking preparatory work on agriculture, while developing countries, including Brazil, Egypt, India and the ASEAN countries, have expressed scepticism about a proposal for a

procurement pact covering all WTO members. Such a multilateral agreement would replace the existing plurilateral procurement agreement.

Also, there is no consensus on whether the first WTO ministerial meeting will deal with issues such as trade and labour standards, investment, and competition policy, according to Acting U.S. Trade Representative Charlene Barshefsky (*Inside U.S. Trade*, 13 September 1996). The Singapore Ministerial Meeting will not call for another round of trade liberalization, according to Ms. Barshefsky, but it will review how far the WTO has come with respect to the current agenda, it will expand market access opportunities, and it will examine which areas the WTO must address in order to stay on the cutting edge of trade policy.

In July 1996, Canada proposed in a paper tabled at the WTO heads of delegation meeting in Geneva that the Singapore Ministerial Meeting initiate a new phase of tariff liberalization. The paper proposed that: tariff phaseouts already agreed upon be accelerated; so-called "nuisance tariffs" of 1.5-2.0% or lower be eliminated; and other duties rounded down to their nearest half percentage point. The Canadian proposal also called for consideration of the elimination of tariffs on all goods imported from least developed countries.

WTO trade negotiations are already underway in the areas of telecommunications services and elimination by the year 2000 of tariffs on high-technology products (an Information Technology Agreement (ITA)). Consideration may also be given to improving market access for other products, such as chemicals, pharmaceuticals, oilseeds and oilseed products, distilled spirits, wood, paper and paper products.

The meeting in Singapore may endorse a Canadian proposal for the formation of a WTO Working Group on investment. Work on a Multilateral Agreement on Investment (MAI) is now underway at the OECD. For its part, the U.S. intends to press for stronger rules on state trading enterprises, including the Canadian Wheat Board, the Australian Wheat Board, and the New Zealand Dairy Board.

PARLIAMENTARY ACTION

Bill C-57, an Act to implement the Agreement Establishing the World Trade Organization, was introduced in the House of Commons on 26 October 1994. The bill was referred to the Standing Committee on Foreign Affairs and International Trade on 1 November 1994. Certain amendments were made to the bill at the committee stage. The bill received third reading and was passed by the House of Commons on 30 November 1994.

In the Senate, Bill C-57 was referred to the Standing Senate Committee on Foreign Affairs. In its report on the bill, the Committee raised concerns about the transparency and political accountability of the WTO. Bill C-57 received third reading and was passed by the Senate on 15 December 1994.

The legislation was proclaimed by the Government on 1 January 1995, the same day that the WTO Agreement came into force.

CHRONOLOGY

- 1947 - The GATT treaty was signed.
- 1979 - The Tokyo round was concluded; the U.S. passed the *Trade Agreements Act*.
- 1982 - The GATT Ministerial meeting established a new Work Program.
- 1984 - Canada passed the *Special Import Measures Act* in compliance with its Tokyo round commitments.
- July 1986 - The MFA was renewed and extended for five years.
- September 1986 - The GATT conference in Uruguay launched the eighth MTN round.
- January 1987 - Agreement was reached in Geneva on a negotiating process, permitting formal talks to begin.
- May 1987 - Ottawa hosted the Cairns group of agricultural "fair traders."

- July 1987 - The U.S. tabled major proposals on the elimination of agricultural subsidies and import barriers. Canada appointed a new ambassador to the GATT.
- October 1987 - Canada presented its own comprehensive proposals on agricultural trade liberalization.
- March 1988 - The GATT Council adopted two reports which found Canada in violation of GATT rules.
- April 1988 - Disagreements over farm subsidies again topped the agenda at a meeting of Quadrilateral trade ministers (from the U.S., Canada, Japan and the EC) on an island off the B.C. coast. Canada called for an end to the trade war.
- December 1988 - A full GATT ministerial meeting was held in Montreal to review progress to date in the Uruguay round. While there was movement on some issues, marathon negotiations failed to break the U.S.-EC deadlock on agriculture.
- April 1989 - A special meeting of negotiators in Geneva broke the deadlock and revived hopes for a successful completion of the Uruguay round on schedule at the end of 1990.
- June 1989 - Canada tabled a detailed proposal for the reform of GATT rules on subsidies and countervailing duties.
- March 1990 - Canada tabled major proposals on textiles and the MFA, agriculture, and tariff cuts.
- April 1990 - Canada presented a plan to build GATT into a powerful new World Trade Organization.
- July 1990 - Canadian trade policies were reviewed by the GATT secretariat.
- October 1990 - Canada tabled its final negotiating offer on farm subsidies. A quadrilateral trade ministers' meeting held in Newfoundland indicated that much hard bargaining lay ahead, with GATT's future perhaps in the balance.
- December 1990 - Talks collapsed as the Brussels ministerial conference failed to break the deadlock on agriculture.

- January 1991 - Officials met in Geneva to try to restart negotiations.
- February 1991 - The Trade Negotiations Committee met and streamlined the talks into seven major groups.
- May 1991 - U.S. President Bush received from Congress a two-year extension of his negotiating authority beyond 1 June 1991.
- July 1991 - Leaders of the G-7 countries indicated their willingness to intervene in the GATT negotiations if necessary to break an impasse.
- December 1991 - The Draft Final Act Embodying the Results of the Uruguay Round was released.
- May 1992 - The EC farm ministers agreed to a partial reform of their Common Agricultural Policy.
- July 1992 - The G-7 meeting in Munich failed to break the impasse in the GATT negotiations.
- July 1993 - The Quadilateral Group of nations agreed to reduce tariffs on a wide range of raw materials and manufactured goods.
- December 1993 - The 117 GATT Contracting Parties achieved a final Uruguay Round Agreement.
- April 1994 - The *Final Act* embodying the results of the Uruguay Round was signed by representatives of about 111 countries.
- 1 January 1995 - The Agreement establishing the World Trade Organization came into force.
- 26 July 1995 - An agreement was reached among 29 members of the WTO for opening up trade in financial services to some international competition.

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APPENDIX
GATT Rounds of Multilateral Trade Negotiations

1. First Round, 1947: An interim step taken by 23 countries during the negotiations for an International Trade Organization (ITO). Resulted in the negotiation of the General Agreement on Tariffs and Trade and in substantial tariff cuts by the U.S. and a few other countries.
2. Annecy Round, 1949: Negotiations held to allow 11 new members to accede to the GATT.
3. Torquay Round, 1950-51: New negotiations resulted in few additional tariff reductions. West Germany joined the GATT.
4. Geneva Round, 1956: Japan joined the GATT. Virtually no progress was made in negotiations to reduce general tariff levels.
5. Dillon Round, 1960-62: Renegotiation of previously agreed tariff concessions was required because of the formation of the European Economic Community, whose common external tariff had the effect of raising tariffs on imports of many products from non-EC countries.
6. Kennedy Round, 1963-67: Sixteen industrial countries accepted new "linear" tariff reductions averaging 40%. For the first time, the demands of developing countries became a major focus of the GATT negotiations.
7. Tokyo Round, 1973-79: Again using a linear tariff reduction formula, the industrialized countries agreed to cut tariffs on dutiable industrial imports by an average of 40 percent. Little progress was made in liberalizing agricultural trade. Several new non-tariff barrier codes were negotiated, mainly by the leading industrial countries.
8. Uruguay Round, 1986-93: While a number of "old" access issues (like tariff escalation and selective restraints on textiles and clothing) remain to be resolved, the new round focused largely on strengthening GATT rules regarding non-tariff barriers and extending the scope and coverage of the codes; liberalizing agricultural trade and reducing trade-distorting subsidies; developing new rules to govern trade in services, trade-related investment measures, and intellectual property rights issues; and revising the GATT's institutional structure and decision-making system.

Sources: Jock Finlayson and Ann Weston, *The GATT, Middle Powers and the Uruguay Round*, Ottawa, The North-South Institute, June 1990, Table 5, p. 16.





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